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SUBJECT: SOUTHERN JIANGSU'S VIEW ON SOCIAL STABILITY

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SHANGHAI, DEPARTMENT OF STATE.
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Summary

[1](#)1. (C) Consulate contacts in southern Jiangsu Province have mixed views on the impacts of China's economic downturn, stating that the region continues to attract investment, but they acknowledged that many local export-oriented companies are feeling the effects of slowing external demand. As in other parts of China, companies in Suzhou, one of Jiangsu's major commercial centers, are taking advantage of the period prior to Lunar New Year to cut costs by laying off migrant workers. For the most part, our contacts said they are not overly concerned about possible social instability in Suzhou resulting from the layoffs, but there is concern about potential for unrest in the city's textile producing areas. It is too early to say what will happen in southern Jiangsu after Lunar New Year, our contacts said, but most migrant workers are expected to return whether they have jobs or not. Few people in Suzhou are blaming the United States for China's economic problems. End Summary.

Suzhou's Economic Downturn

[1](#)2. (C) As Jiangsu Province's export-oriented economy slows, businesses in Suzhou, one of southern Jiangsu's leading commercial cities, are beginning to feel the effects, contacts told Poloff during a January 8 visit to the city. Jiangsu's economic growth slowed significantly during the final quarter of 2008, and a January 8 Reuters report stated that Jiangsu should expect zero export growth in 2009. Our contacts did not agree on the full extent of the impact on Suzhou or southern Jiangsu Province. According to Xia Yongxiang, the Deputy Director of the Southern Jiangsu Development Research Center at Suzhou University, the city, which relies primarily on exports as well as fixed asset investment in rails, highways, and development zones, has been hit hard by the economic downturn. Jay Lin, Vice President of Operations for Asia Pacific at U.S. firm Rich Products Corporation, was more optimistic, stating that Suzhou still is able to attract foreign investors to the Suzhou Industrial Park. Gao Feng, Director of the Sociology Department at Suzhou University, took a more middle of the road approach, stating that Jiangsu Province may be struggling, but it still is

faring better than Guangdong, which Gao visited in October when he saw first-hand the difficulties faced by small Chinese firms in Dongguan. Suzhou is somewhat insulated, he said, because most of the investors are large foreign-invested enterprises (FIEs).

13. (C) Other contacts told Poloff, however, that they see trouble on the horizon for Suzhou's economy. Echo Yu, Strategy Specialist for Tecsun Homes, said that one large Suzhou FIE -- Acer, the Taiwan-invested company -- has been shutting down its production lines in Suzhou one by one. Each time a line goes down, 6000 workers are laid off, Yu said. The construction industry also is slowing, said Yu, and her firm, Tecsun, has laid off workers. She also has observed that Suzhou's hospitality industry, including the city's Shangri-la Hotel, is not hiring many new employees. Shen Tongxian, Associate Law Professor at Suzhou University, estimated that 60 percent of Suzhou's export-oriented companies had had at least a few layoffs either for low level laborers or sales managers. Shen commented that the Central Government would not be able to enact the Labor Contract Law (LCL) today if it were brought up again given the labor situation. (Note: The LCL entered into force on January 1, 2008. End Note.)

Impact on Migrant Workers

14. (C) Companies are taking advantage of the period prior to Lunar New Year to cut costs by laying off workers because the firms know migrants are willing to return home early for the holiday (see also Ref A). Sending workers home after the Lunar New Year would be much more difficult, Shen said. She added that some migrant workers in Suzhou have complained that big companies are trying to lower salaries or not pay overtime, both of which are illegal. With approximately 6 million migrant workers in Suzhou (roughly half of the city's total population of 12.2 million), factory closures pose a serious social problem, Xia Yongxiang said.

15. (C) The problem is compounded because 70 percent of southern Jiangsu's migrant workers were born in the 1980s, said Gao Feng, whose surveys indicate southern Jiangsu's older migrant workers are more willing to return home to the countryside and farm while younger workers are reluctant to leave the city. For example, Gao interviewed a migrant worker from Sichuan who has been in Suzhou for more than 20 years but had no problem returning home; however, younger families interviewed by Gao expressed displeasure at returning to the countryside. (Comment: Gao's surveys contradict other findings that indicate older migrant workers want to stay in coastal cities because they have put down roots there while younger workers are willing to go home because of lower expectations for work in coastal areas. Poloff asked Gao about the different theories, but he said his survey results in Suzhou clearly support his conclusion. End Comment.)

Jiangsu's South-North Relationship

16. (C) Our contacts stated that migrant workers in Jiangsu Province are somewhat unique in two ways. First, with Jiangsu Province bisected by the Yangtze River, more than 50 percent of the migrant workers in wealthy southern Jiangsu Province, including Suzhou in southeastern Jiangsu, are from less developed northern Jiangsu Province. (Note: According to Gao, 30 percent are from Anhui, Sichuan, or Henan, and the remaining 20 percent are from elsewhere. End Note.) The labor cycle between southern Jiangsu and northern Jiangsu is a formalized relationship, Gao said, with northern Jiangsu providing labor for factories in southern Jiangsu. In fact, he said, Suzhou has an official relationship with Suqian in northern Jiangsu. If Suzhou needs more laborers, the city government makes a formal request to Suqian, Gao stated.

17. (C) Secondly, southern Jiangsu Province is rapidly running out of available land either for development or for farming. Agricultural land should serve as social security for migrant workers who lose their jobs, Xia said, but in Suzhou, there is

little land remaining. At this point, agriculture is only 1 percent of the GDP as a lot of land has been converted into development zones. By 2015, Suzhou will have no available land, Xia said. Some of Suzhou's rural residents have rented their land out to landlords who have turned Suzhou's environs into a bedroom community for people who work in Shanghai, he added.

Social Stability Concerns?

18. (C) Our contacts expressed optimism that despite economic difficulties, southern Jiangsu will not face social stability problems. According to Xia, there should not be many mass disputes in Suzhou because there are sufficient mechanisms in place for the local government to give workers back pay in the event of factory closures, and there is good social security for local workers. There have been a few factory closures in the area so far, Xia said, but the number of closures is unknown. Gao agreed with Xia, stating that in a large urban city like Suzhou, there are not likely to be social stability problems.

19. (C) One possible social stability problem in Suzhou, our contacts stated, is in Wujiang County, which previously was a large textile producing area. Much like Shaoxing in Zhejiang Province (Ref B), a significant drop in textile exports has led to a significant number of factory closures, which is a concern for the local government, Xia said. Jay Lin told Poloff he had read a report that 80,000 workers had been laid off in Wujiang, and there is concern that those migrant workers who lose their jobs but remain in the city could cause trouble.

110. (C) Our contacts stated that they understand the Central Government's concerns about social instability, and they had read Xinhua's report on 2009 being the "year of mass disputes." Gao pointed out that the Central Government has a different orientation towards social instability than local governments. Local governments just want to let migrant workers (especially low skilled workers) leave and become someone else's problem; however, the Central Government has to focus on the big picture. According to Gao, recent training sessions for county governors at the Central Party School in Beijing and other Communist Party Schools around China (including Shanghai's China Executive Leadership Academy in Pudong) were significant because they demonstrated the Central Government's concerns about social stability, rural development, and the rich-poor gap and attempted to relay those concerns to local officials through formal training.

Looking Past Lunar New Year

111. (C) It is not clear what will happen after Lunar New Year, our contacts said. Xia told Poloff that some migrant workers will return to coastal areas, "blindly looking" for jobs; others will have family connections to help them find jobs. In any case, it will be more difficult for migrant workers to find jobs in 2009, he said. There are some labor centers in Suzhou to help workers find jobs, but Xia disparagingly said they are "full of cheats" who want to "rip off" migrant workers. Xia, who also focuses on rural development, agreed with rural experts in Zhejiang Province (Ref B) that a decrease in available jobs for migrant workers will have a significant impact on incomes and standard of living in the countryside, as rural residents depend on remittances from family members who work in urban areas. Echo Yu, whose company also supports the Changjiang Civilian Education Foundation, which operates a rural elementary school and supports a vocational high school both in southern Anhui Province, told Poloff she is concerned about the impact on southern Anhui, where many households there depend on migrant worker remittances.

112. (C) Our contacts said they are cognizant of important political anniversaries coming up after Lunar New Year in 2009, but at this point, they do not believe these anniversaries would increase the chances of social instability in southern Jiangsu. The 20th anniversary of Tiananmen in June and the 60th anniversary of the founding of the People's Republic of China in October are not that significant to Suzhou residents, Xia said.

Gao Feng added that he does not believe the anniversaries will have an impact on social stability because in southern Jiangsu, people only "care about themselves" and their own "livelihood" (minsheng) problems.

The Blame Game: Thoughts about the U.S. Economy

¶13. (C) Contacts in Suzhou also had mixed views as to whether or not Chinese businesspeople or workers are beginning to blame the United States for China's economic downturn. Xia and Gao both said that the impact of the U.S.-China economic relationship on social stability is obvious in East China because of the declining exports from Jiangsu and neighboring areas to the United States, but they had not heard of specific criticisms directed at the United States. Echo Yu and Jay Lin added that they also had not heard of southern Jiangsu residents blaming the United States. Shen Tongxian had a more nuanced view from the labor perspective, saying at this point, workers are "not blaming the United States" but they believe the economic crisis "came from the United States."

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